

State of  
*Utah*  
COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT



For the Fiscal Year Ended June 30, 2003

**State Of Utah**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For The Fiscal Year Ended June 30, 2003

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**ACKNOWLEDGMENTS**

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Special appreciation is given to all of the budget and accounting officers throughout the State whose extra time and effort made this report possible.



**State of Utah**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2003

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**State of Utah****Budgetary Comparison Schedule  
General Fund**

For the Fiscal Year Ended June 30, 2003

(Expressed in Thousands)

|  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance with<br/>Final Budget</b> |
|--|----------------------------|-------------------------|-------------------|---------------------------------------|
| <b>Revenues</b>                                    |                            |                         |                   |                                       |
| General Revenues                                   |                            |                         |                   |                                       |
| Sales Tax .....                                    | \$ 1,465,650               | \$ 1,458,650            | \$ 1,443,974      | \$ (14,676)                           |
| Licenses, Permits, and Fees:                       |                            |                         |                   |                                       |
| Insurance Fees .....                               | 6,343                      | 6,084                   | 5,639             | (445)                                 |
| Court Fees .....                                   | 4,382                      | 4,380                   | 4,365             | (15)                                  |
| Other Licenses, Permits, and Fees .....            | 7,855                      | 6,136                   | 7,758             | 1,622                                 |
| Investment Income .....                            | 12,000                     | 6,050                   | 6,471             | 421                                   |
| Federal Appropriation—Jobs and Growth Relief ..... | —                          | —                       | 37,970            | 37,970                                |
| Miscellaneous Taxes and Other:                     |                            |                         |                   |                                       |
| Beer Tax .....                                     | 9,785                      | 10,867                  | 10,357            | (510)                                 |
| Cigarette and Tobacco Tax .....                    | 53,515                     | 50,933                  | 43,857            | (7,076)                               |
| Inheritance Tax .....                              | 8,900                      | 31,950                  | 32,978            | 1,028                                 |
| Insurance Premium Tax .....                        | 52,050                     | 64,000                  | 58,989            | (5,011)                               |
| Oil, Gas, and Mining Severance Tax .....           | 29,650                     | 22,800                  | 32,579            | 9,779                                 |
| Taxpayer Rebates .....                             | (5,450)                    | (5,100)                 | (5,513)           | (413)                                 |
| Court Collections .....                            | 7,368                      | 6,483                   | 5,659             | (824)                                 |
| Miscellaneous Other .....                          | 15,552                     | 17,480                  | 16,240            | (1,240)                               |
| Total General Revenues .....                       | <u>1,667,600</u>           | <u>1,680,713</u>        | <u>1,701,323</u>  | <u>20,610</u>                         |
| Department Specific Revenues                       |                            |                         |                   |                                       |
| Restricted Sales Tax .....                         | 2,980                      | 3,270                   | 2,825             | (445)                                 |
| Federal Contracts and Grants .....                 | 1,343,620                  | 1,479,673               | 1,479,673         | —                                     |
| Departmental Collections .....                     | 186,361                    | 196,796                 | 198,334           | 1,538                                 |
| Higher Education Collections .....                 | 242,037                    | 260,464                 | 260,464           | —                                     |
| Federal Mineral Lease .....                        | 29,300                     | 42,300                  | 46,335            | 4,035                                 |
| Investment Income .....                            | 2,919                      | 2,410                   | 2,560             | 150                                   |
| Miscellaneous .....                                | 326,618                    | 381,769                 | 385,024           | 3,255                                 |
| Total Department Specific Revenues .....           | <u>2,133,835</u>           | <u>2,366,682</u>        | <u>2,375,215</u>  | <u>8,533</u>                          |
| Total Revenues .....                               | <u>3,801,435</u>           | <u>4,047,395</u>        | <u>4,076,538</u>  | <u>29,143</u>                         |
| <b>Expenditures</b>                                |                            |                         |                   |                                       |
| General Government .....                           | 176,271                    | 179,385                 | 159,290           | 20,095                                |
| Human Services and Youth Corrections .....         | 545,968                    | 551,032                 | 543,377           | 7,655                                 |
| Corrections, Adult .....                           | 186,382                    | 183,669                 | 177,170           | 6,499                                 |
| Public Safety .....                                | 131,880                    | 128,582                 | 123,780           | 4,802                                 |
| Courts .....                                       | 101,947                    | 99,868                  | 97,465            | 2,403                                 |
| Health and Environmental Quality .....             | 1,261,093                  | 1,401,495               | 1,388,045         | 13,450                                |
| Higher Education – State Administration .....      | 38,733                     | 34,891                  | 34,891            | —                                     |
| Higher Education – Colleges and Universities ..... | 844,134                    | 860,762                 | 860,692           | 70                                    |
| Employment and Family Services .....               | 258,949                    | 369,547                 | 369,473           | 74                                    |
| Natural Resources .....                            | 133,552                    | 163,745                 | 137,673           | 26,072                                |
| Community and Economic Development .....           | 119,686                    | 102,314                 | 91,056            | 11,258                                |
| Business, Labor, and Agriculture .....             | 62,756                     | 64,731                  | 54,647            | 10,084                                |
| Total Expenditures .....                           | <u>3,861,351</u>           | <u>4,140,021</u>        | <u>4,037,559</u>  | <u>102,462</u>                        |
| Excess Revenues Over (Under) Expenditures .....    | <u>(59,916)</u>            | <u>(92,626)</u>         | <u>38,979</u>     | <u>131,605</u>                        |
| <b>Other Financing Sources (Uses)</b>              |                            |                         |                   |                                       |
| Transfers In .....                                 | 152,388                    | 161,055                 | 161,055           | —                                     |
| Transfers Out .....                                | (195,397)                  | (164,322)               | (164,322)         | —                                     |
| Total Other Financing Sources (Uses) .....         | <u>(43,009)</u>            | <u>(3,267)</u>          | <u>(3,267)</u>    | <u>0</u>                              |
| Net Change in Fund Balance .....                   | (102,925)                  | (95,893)                | 35,712            | 131,605                               |
| Budgetary Fund Balance – Beginning .....           | 199,360                    | 199,360                 | 199,360           | —                                     |
| Budgetary Fund Balance – Ending .....              | <u>\$ 96,435</u>           | <u>\$ 103,467</u>       | <u>\$ 235,072</u> | <u>\$ 131,605</u>                     |

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

State of Utah**Budgetary Comparison Schedule  
Uniform School Fund**

For the Fiscal Year Ended June 30, 2003

(Expressed in Thousands)

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>    | <b>Variance with<br/>Final Budget</b> |
|---|----------------------------|-------------------------|------------------|---------------------------------------|
| <b>Revenues</b>                                 |                            |                         |                  |                                       |
| General Revenues                                |                            |                         |                  |                                       |
| Individual Income Tax .....                     | \$ 1,676,625               | \$ 1,601,850            | \$ 1,575,486     | \$ (26,364)                           |
| Corporate Tax .....                             | 116,925                    | 128,530                 | 160,522          | 31,992                                |
| Investment Income .....                         | 4,200                      | 9,800                   | 8,388            | (1,412)                               |
| Miscellaneous Other .....                       | 8,900                      | 5,750                   | 4,961            | (789)                                 |
| Total General Revenues .....                    | <u>1,806,650</u>           | <u>1,745,930</u>        | <u>1,749,357</u> | <u>3,427</u>                          |
| Department Specific Revenues                    |                            |                         |                  |                                       |
| Federal Contracts and Grants .....              | 237,429                    | 287,709                 | 287,709          | —                                     |
| Departmental Collections .....                  | 2,526                      | 1,976                   | 1,976            | —                                     |
| Miscellaneous:                                  |                            |                         |                  |                                       |
| School Lunch Tax .....                          | 15,005                     | 15,799                  | 15,799           | —                                     |
| Driver Education Fee .....                      | 4,200                      | 4,310                   | 4,310            | —                                     |
| Other .....                                     | 7,985                      | 8,472                   | 8,540            | 68                                    |
| Total Department Specific Revenues .....        | <u>267,145</u>             | <u>318,266</u>          | <u>318,334</u>   | <u>68</u>                             |
| Total Revenues .....                            | <u>2,073,795</u>           | <u>2,064,196</u>        | <u>2,067,691</u> | <u>3,495</u>                          |
| <b>Expenditures</b>                             |                            |                         |                  |                                       |
| Public Education .....                          | <u>1,977,721</u>           | <u>2,023,134</u>        | <u>1,986,271</u> | <u>36,863</u>                         |
| Total Expenditures .....                        | <u>1,977,721</u>           | <u>2,023,134</u>        | <u>1,986,271</u> | <u>36,863</u>                         |
| Excess Revenues Over (Under) Expenditures ..... | <u>96,074</u>              | <u>41,062</u>           | <u>81,420</u>    | <u>40,358</u>                         |
| <b>Other Financing Sources (Uses)</b>           |                            |                         |                  |                                       |
| Transfers In .....                              | 1,676                      | 1,565                   | 1,565            | —                                     |
| Transfers Out .....                             | <u>(126,810)</u>           | <u>(33,951)</u>         | <u>(33,951)</u>  | <u>—</u>                              |
| Total Other Financing Sources (Uses) .....      | <u>(125,134)</u>           | <u>(32,386)</u>         | <u>(32,386)</u>  | <u>0</u>                              |
| Net Change in Fund Balance .....                | (29,060)                   | 8,676                   | 49,034           | 40,358                                |
| Budgetary Fund Balance – Beginning .....        | 43,891                     | 43,891                  | 43,891           | —                                     |
| Budgetary Fund Balance – Ending .....           | <u>\$ 14,831</u>           | <u>\$ 52,567</u>        | <u>\$ 92,925</u> | <u>\$ 40,358</u>                      |

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.



**State of Utah****Budgetary Comparison Schedule  
Transportation Fund**

For the Fiscal Year Ended June 30, 2003

(Expressed in Thousands)

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance with<br/>Final Budget</b> |
|---|----------------------------|-------------------------|-------------------|---------------------------------------|
| <b>Revenues</b>                                 |                            |                         |                   |                                       |
| General Revenues                                |                            |                         |                   |                                       |
| Motor Fuel Tax .....                            | \$ 231,200                 | \$ 241,350              | \$ 236,639        | \$ (4,711)                            |
| Special Fuel Tax .....                          | 88,150                     | 86,200                  | 84,523            | (1,677)                               |
| Licenses, Permits, and Fees:                    |                            |                         |                   |                                       |
| Motor Vehicle Registration Fees .....           | 28,130                     | 30,008                  | 28,359            | (1,649)                               |
| Proportional Registration Fees .....            | 12,738                     | 12,170                  | 11,838            | (332)                                 |
| Temporary Permits .....                         | 425                        | 399                     | 397               | (2)                                   |
| Special Transportation Permits .....            | 6,369                      | 5,816                   | 6,112             | 296                                   |
| Highway Use Permits .....                       | 8,598                      | 8,258                   | 7,944             | (314)                                 |
| Motor Vehicle Control Fees .....                | 4,458                      | 4,445                   | 4,289             | (156)                                 |
| Miscellaneous .....                             | 1,698                      | 1,657                   | 1,721             | 64                                    |
| Investment Income .....                         | 2,017                      | 1,707                   | 1,655             | (52)                                  |
| Miscellaneous Other .....                       | 2,867                      | 990                     | 3,081             | 2,091                                 |
| Total General Revenues .....                    | <u>386,650</u>             | <u>393,000</u>          | <u>386,558</u>    | <u>(6,442)</u>                        |
| Department Specific Revenues                    |                            |                         |                   |                                       |
| Restricted Sales and Aviation Fuel Taxes .....  | 34,400                     | 34,500                  | 34,348            | (152)                                 |
| Federal Contracts and Grants .....              | 140,314                    | 191,104                 | 191,104           | —                                     |
| Departmental Collections .....                  | 34,297                     | 42,210                  | 41,947            | (263)                                 |
| Federal Aeronautics .....                       | 30,000                     | 20,000                  | 18,791            | (1,209)                               |
| Investment Income .....                         | 280                        | 432                     | 732               | 300                                   |
| Miscellaneous .....                             | 4,850                      | 18,810                  | 19,160            | 350                                   |
| Total Department Specific Revenues .....        | <u>244,141</u>             | <u>307,056</u>          | <u>306,082</u>    | <u>(974)</u>                          |
| Total Revenues .....                            | <u>630,791</u>             | <u>700,056</u>          | <u>692,640</u>    | <u>(7,416)</u>                        |
| <b>Expenditures</b>                             |                            |                         |                   |                                       |
| Transportation .....                            | <u>539,068</u>             | <u>620,399</u>          | <u>573,874</u>    | <u>46,525</u>                         |
| Total Expenditures .....                        | <u>539,068</u>             | <u>620,399</u>          | <u>573,874</u>    | <u>46,525</u>                         |
| Excess Revenues Over (Under) Expenditures ..... | <u>91,723</u>              | <u>79,657</u>           | <u>118,766</u>    | <u>39,109</u>                         |
| <b>Other Financing Sources (Uses)</b>           |                            |                         |                   |                                       |
| General Obligation Bonds Issued .....           | —                          | 45,400                  | 45,400            | —                                     |
| Premium (Discount) on Bonds Issued .....        | —                          | 6,600                   | 6,600             | —                                     |
| Transfers In .....                              | 22,165                     | 19,412                  | 19,412            | —                                     |
| Transfers Out .....                             | (95,702)                   | (107,483)               | (107,483)         | —                                     |
| Total Other Financing Sources (Uses) .....      | <u>(73,537)</u>            | <u>(36,071)</u>         | <u>(36,071)</u>   | <u>0</u>                              |
| Net Change in Fund Balance .....                | 18,186                     | 43,586                  | 82,695            | 39,109                                |
| Budgetary Fund Balance – Beginning .....        | 91,755                     | 91,755                  | 91,755            | —                                     |
| Budgetary Fund Balance – Ending .....           | <u>\$ 109,941</u>          | <u>\$ 135,341</u>       | <u>\$ 174,450</u> | <u>\$ 39,109</u>                      |

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.



State of Utah**Budgetary Comparison Schedule  
Centennial Highway Fund**

For the Fiscal Year Ended June 30, 2003

(Expressed in Thousands)

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance with<br/>Final Budget</b> |
|---|----------------------------|-------------------------|-------------------|---------------------------------------|
| <b>Revenues</b>                                 |                            |                         |                   |                                       |
| General Revenues                                |                            |                         |                   |                                       |
| Sales Tax .....                                 | \$ 5,382                   | \$ 5,000                | \$ 4,841          | \$ (159)                              |
| Motor Vehicle Registration Fees .....           | 17,700                     | 18,300                  | 18,719            | 419                                   |
| Investment Income .....                         | 4,700                      | 3,800                   | 5,355             | 1,555                                 |
| Total General Revenues .....                    | <u>27,782</u>              | <u>27,100</u>           | <u>28,915</u>     | <u>1,815</u>                          |
| Department Specific Revenues                    |                            |                         |                   |                                       |
| Federal Contracts and Grants .....              | 37,858                     | 42,753                  | 42,753            | —                                     |
| Miscellaneous .....                             | 3,408                      | —                       | —                 | —                                     |
| Total Department Specific Revenues .....        | <u>41,266</u>              | <u>42,753</u>           | <u>42,753</u>     | <u>0</u>                              |
| Total Revenues .....                            | <u>69,048</u>              | <u>69,853</u>           | <u>71,668</u>     | <u>1,815</u>                          |
| <b>Expenditures</b>                             |                            |                         |                   |                                       |
| Transportation .....                            | 280,704                    | 216,860                 | 203,877           | 12,983                                |
| Total Expenditures .....                        | <u>280,704</u>             | <u>216,860</u>          | <u>203,877</u>    | <u>12,983</u>                         |
| Excess Revenues Over (Under) Expenditures ..... | <u>(211,656)</u>           | <u>(147,007)</u>        | <u>(132,209)</u>  | <u>14,798</u>                         |
| <b>Other Financing Sources (Uses)</b>           |                            |                         |                   |                                       |
| General Obligation Bonds Issued .....           | —                          | 95,285                  | 95,285            | —                                     |
| Premium (Discount) on Bonds Issued .....        | —                          | 13,981                  | 13,981            | —                                     |
| Transfers In .....                              | 132,984                    | 124,648                 | 124,648           | —                                     |
| Transfers Out .....                             | (82,657)                   | (86,828)                | (86,828)          | —                                     |
| Total Other Financing Sources (Uses) .....      | <u>50,327</u>              | <u>147,086</u>          | <u>147,086</u>    | <u>0</u>                              |
| Net Change in Fund Balance .....                | <u>(161,329)</u>           | <u>79</u>               | <u>14,877</u>     | <u>14,798</u>                         |
| Budgetary Fund Balance – Beginning .....        | 305,357                    | 305,357                 | 305,357           | —                                     |
| Budgetary Fund Balance – Ending .....           | <u>\$ 144,028</u>          | <u>\$ 305,436</u>       | <u>\$ 320,234</u> | <u>\$ 14,798</u>                      |

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

**State of Utah****Budgetary Comparison Schedule  
Budget To GAAP Reconciliation**

For the Fiscal Year Ended June 30, 2003

(Expressed in Thousands)

|  | <b>General<br/>Fund</b> | <b>Uniform<br/>School<br/>Fund</b> | <b>Transportation<br/>Fund</b> | <b>Centennial<br/>Highway<br/>Fund</b> |
|--|-------------------------|------------------------------------|--------------------------------|--|
| <b>Revenues</b>  |                         |                                    |                                |  |
| Actual total revenues (budgetary basis) .....  | \$ 4,076,538            | \$ 2,067,691                       | \$ 692,640                     | \$ 71,668                              |
| Differences – Budget to GAAP:  |                         |                                    |                                |  |
| Intrafund revenues are budgetary revenues but<br>are not revenues for financial reporting .....  | (279,981)               | (6,787)                            | (20,803)                       | —                                      |
| Higher education collections are budgetary revenues but<br>are not revenues for financial reporting .....  | (260,464)               | —                                  | —                              | —                                      |
| Change in revenue accrual for nonbudgetary<br>Medicaid claims .....  | 12,741                  | —                                  | —                              | —                                      |
| Change in tax accruals designated by law for<br>postemployment and other liabilities are revenues for<br>financial reporting but not for budgetary reporting ..... | (10,474)                | 12,641                             | 455                            | —                                      |
| Total revenues as reported on the Statement<br>of Revenues, Expenditures, and Changes in<br>Fund Balances – Governmental Funds .....                               | <u>\$ 3,538,360</u>     | <u>\$ 2,073,545</u>                | <u>\$ 672,292</u>              | <u>\$ 71,668</u>                       |
| <b>Expenditures</b>  |                         |                                    |                                |  |
| Actual total expenditures (budgetary basis) .....  | \$ 4,037,559            | \$ 1,986,271                       | \$ 573,874                     | \$ 203,877                             |
| Differences – Budget to GAAP:  |                         |                                    |                                |  |
| Intrafund expenditures for reimbursements<br>are budgetary expenditures but are not<br>expenditures for financial reporting .....                                  | (279,981)               | (6,787)                            | (20,803)                       | —                                      |
| Expenditures related to higher education collections<br>are budgetary expenditures but are not<br>expenditures for financial reporting .....                       | (260,464)               | —                                  | —                              | —                                      |
| Certain budgetary transfers are reported as<br>expenditures for financial reporting .....  | 3,300                   | —                                  | —                              | —                                      |
| Leave/postemployment charges budgeted as expenditures<br>when earned rather than when taken or due .....   | 863                     | (23)                               | (809)                          | —                                      |
| Change in accrual for Medicaid incurred but not<br>reported claims excluded from the budget by statute .....   | 18,145                  | —                                  | —                              | —                                      |
| Total expenditures as reported on the Statement<br>of Revenues, Expenditures, and Changes in<br>Fund Balances – Governmental Funds .....                           | <u>\$ 3,519,422</u>     | <u>\$ 1,979,461</u>                | <u>\$ 552,262</u>              | <u>\$ 203,877</u>                      |

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING****Budgetary Presentation**

A Budgetary Comparison Schedule is presented for each of the State's major governmental funds for which the Legislature enacts an annual budget. An annual budget is also adopted for the Debt Service Fund, a nonmajor fund. The budgets are enacted through passage of *Appropriations Acts*. Budgets for specific general revenues are not adopted through an *Appropriations Act* but are based on supporting estimates approved by the Executive Appropriations Committee of the Legislature. General revenues are those revenues available for appropriation for any program or purpose as allowed by law. Department-specific revenues are revenues dedicated by an *Appropriations Act* or restricted by other law or external grantor to a specific program or purpose.

Original budgets and related revenue estimates represent the spending authority enacted through *Appropriations Acts* as of June 30, 2003, and include nonlapsing carryforward balances from the prior fiscal year. Final budgets represent the original budget as amended by supplemental appropriations and related changes in revenue estimates, executive order reductions when applicable, and changes authorized or required by law when department-specific revenues either exceed or fall short of budgeted amounts.

Unexpended balances at yearend may: 1) lapse to unrestricted balances and be available for future appropriation; 2) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or 3) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by an *Appropriations Act*, or by limited encumbrances.

**Legal Compliance and Budget Management**

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The appropriations may not exceed the estimated available funding for the fiscal year.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act*. Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental *Appropriations Act*.

The departments which spend more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved, the department must cover the overspending with the subsequent year's budget. In the General Fund, the State Courts Administrator's budget for juror and witness fees was overexpended by \$559 thousand. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

The State also has an appropriation limitation statute that limits the growth in state appropriations in two ways. First, as population, personal income, and inflation increase, appropriations are allowed to increase only at the same relative rate. Second, the state-mandated property tax rate, which funds a portion of public education at the local level, is capped at the level set July 1, 1989. The appropriations limitation can be exceeded only if a fiscal emergency is declared and approved by more than two-thirds of both houses of the Legislature, or if approved by a vote of the people. However, the appropriations limitation statute may be amended by a majority of both houses of the Legislature. Appropriations for debt service, emergency expenditures, transfers to the Budgetary Reserve Account (Rainy Day Fund), and appropriations from sources other than general unrestricted revenues are exempt from the appropriations limitation. For the fiscal year ended June 30, 2003, the State was \$313.1 million below the appropriations limitation. The State is currently below the fiscal year 2004 appropriations limitation by \$396.9 million.

**INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH**

As allowed by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the State has adopted an alternative to reporting depreciation on roads and bridges (infrastructure assets) maintained by the Utah Department of Transportation (UDOT). Under this alternative method, referred to as the “modified approach,” infrastructure assets are not depreciated, and maintenance and preservation costs are expensed.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the State.
- Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the State.

**Roads**

UDOT uses the Pavement Management System to determine the condition of 5,799 centerline miles of state roads. The assessment is based on the Ride Index, which is a measure of ride quality on a 1 to 5 scale, with 5 representing new or nearly new pavements that provide a very smooth ride. The Ride Index is calculated from the International Roughness Index (IRI), with pavement type (asphalt or concrete) taken into account. The IRI is a mathematical statistic based on the longitudinal profile of the road.

| Category  | Range       | Description   |
|-----------|-------------|---|
| Very Good | 4.35 – 5.00 | New or nearly new pavements that provide a very smooth ride, and are mainly free of distress.                             |
| Good      | 3.55 – 4.34 | Pavements which provide an adequate ride, and exhibit few, if any, visible signs of distress.                             |
| Fair      | 2.75 – 3.54 | Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.                          |
| Poor      | 1.85 – 2.74 | These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough. |
| Very Poor | 1.00 – 1.84 | Pavements in this category are severely deteriorated, and the ride quality must be improved.                              |

**Condition Level**

The State's established condition level is to maintain 50 percent of its roads with a rating of “fair” or better and no more than 15 percent of roads with a rating of “very poor.”

The State performs complete assessments on a calendar year basis. The following table reports the result of pavements with ratings of “fair” or better (ratings of 2.75 through 5.0) or “very poor” (ratings of 1.0 through 1.84) for the last three years:

| Rating         | 2002  | 2001  | 2000  |
|----------------|-------|-------|-------|
| Fair or Better | 73.0% | 70.4% | 66.5% |
| Very Poor      | 6.6%  | 8.3%  | 10.7% |

**Bridges**

UDOT uses the Structures Inventory System to monitor the condition of the 1,778 state-owned bridges. A number, ranging from 1 to 100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established in relation to the number range as follows:

| Category | Range    | Description  |
|----------|----------|--|
| Good     | 80 – 100 | Preventive maintenance requirements include repair leaking deck joints, apply deck overlays and seals, place concrete sealers to splash zones, paint steel surfaces, and minor beam repairs. |
| Fair     | 50 – 79  | Corrective repairs include deck, beam, and substructure repairs, fixing settled approaches, and repairing collision damage.  |
| Poor     | 1 – 49   | Major rehabilitation and replace includes deck, beam, or substructure replacements or replacement of the entire bridge.  |

**Condition Level**

The State performs complete assessments on an annual basis ending April 1 of each year. The established condition level is to maintain 50 percent of the bridges with a rating of “good” and no more than 15 percent with a rating of “poor.” The following table reports the results of the bridges assessed for the past three years:

| Rating | 2003  | 2002  | 2001  |
|--------|-------|-------|-------|
| Good   | 70.0% | 70.4% | 67.0% |
| Poor   | 3.0%  | 2.8%  | 5.0%  |

The following table presents the State’s estimated amounts needed to maintain and preserve the roads and bridges at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods (in thousands):

| FISCAL YEAR | ESTIMATED SPENDING | ACTUAL SPENDING |
|-------------|--------------------|-----------------|
| 2003        | \$ 271,599         | \$ 264,289      |
| 2002        | \$ 285,044         | \$ 330,894      |
| 2001        | \$ 281,497         | \$ 246,399      |
| 2000        | \$ 251,039         | \$ 249,500      |
| 1999        | \$ 238,970         | \$ 263,568      |